

Message Text

CONFIDENTIAL

PAGE 01 ANKARA 01657 01 OF 02 060815Z
ACTION EUR-12

INFO OCT-01 NEA-10 IO-13 ISO-00 CIAE-00 DODE-00
NSAE-00 NSCE-00 SSO-00 USIE-00 INRE-00 SOE-02
AID-05 CEA-01 COME-00 EB-08 DOE-11 H-01 INR-10
INT-05 L-03 OMB-01 PM-05 OES-07 SP-02 SS-15
STR-07 TRSE-00 ACDA-12 /131 W
-----123546 060859Z /11

O R 060540Z MAR 78
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC IMMEDIATE 0908
INFO AMCONSUL ADANA
AMEMBASSY ATHENS
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMCONSUL ISTANBUL
AMCONSUL IZMIR
AMEMBASSY MOSCOW
AMEMBASSY NICOSIA
AMEMBASSY PARIS
AMEMBASSY TEHRAN
AMEMBASSY TRIPOLI
USINT BAGHDAD
USMISSION GENEVA
USMISSION USNATO
USCINCEUR
CINCUSAFE
USDOCOSOUTH NAPLES
USDOCOLANDSOUTHEAST IZMIR

C O N F I D E N T I A L SECTION 1 OF 2 ANKARA 1657

USEEC, USOECD

DEPARTMENT FOR COUNSELOR NIMETZ
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ANKARA 01657 01 OF 02 060815Z

USDOCOSOUTH FOR INTAF

E.O. 11652: GDS
TAGS: EGEN, ENRG, EFIN, PFOR, TU, LY, UR, IZ
SUBJECT: TURKEY SEEKS DEFERRED PAYMENT TERMS ON OIL

REF: A) ANKARA 1570, B) STATE 55739 (NOTAL)

SUMMARY: TURKISH MFA DIRGEN OF BILATERAL ECONO AFFAIRS, BEHIC HAZAR TOLD ECON COUNSELOR THAT TURKEY IS SEEKING TO BUY OIL ON DEFERRED PAYMENT TERMS FROM THE SOVIET UNION AND IRAN, AND TO BUY ADDITIONAL OIL FROM LIBYA. HAZAR FEELS THAT THE SOVIETS MIGHT SUPPLY OIL TO TURKEY ON CREDIT, AND THAT IRAN WILL NOT. LIBYA CANNOT SUPPLY OIL IN GREATER AMOUNTS, BUT HAS OFFERED TO DISCUSS DEFERRED PAYMENT TERMS FOR OIL, AMONG OTHER ECONOMIC MATTERS. ALTHOUGH AGREEMENT WITH IRAQ ON OIL PAYMENTS IS HANGING FIRE, NEW SOURCES ARE NOT TO REPLACE SUPPLY FROM IRAQ, BUT TO SATISFY INCREASING CONSUMPTION. IN SEEKING DEFERRED PAYMENT TERMS ON OIL PURCHASES, TURKS ARE TRYING TO CREATE NEEDED FLEXIBILITY IN DEBT MANAGEMENT. EMBASSY SUGGESTS THAT USG MAY WISH TO TRY TO INFLUENCE IRAN TO OFFER DEFERRED PAYMENT TERMS TO TURKEY FOR OIL. END SUMMARY.

1. ON MARCH 1, ECON COUNSELOR MET WITH BEHIC HAZAR, DIRECTOR GENERAL OF BILATERAL ECONOMIC AFFAIRS IN THE TURKISH MFA, TO DISCUSS ECONOMIC ASPECTS OF LIBYAN PRIMIN JALLOUD'S RECENT VISIT TO ANKARA. HAZAR CONFIRMED INFORMATION REPORTED IN REFTEL. DISCUSSION GRAVITATED TOWARD TURKEY'S OIL IMPORTS IN GENERAL. HAZAR SAID THAT TURKEY IS SEEKING TO BUY OIL FROM THE SOVIET UNION AND IRAN, TO INCREASE ITS ALLOCATION OF OIL FROM LIBYA, AND CONFIDENTIAL

CONFIDENTIAL

PAGE 03 ANKARA 01657 01 OF 02 060815Z

TO OBTAIN DEFERRED PAYMENT ARRANGEMENTS FROM ALL THREE COUNTRIES AND IRAQ.

2. TO MEET CHRONIC SHORTAGES, GOT HAS BEEN INTERESTED FOR SOME TIME IN IMPORTING OIL FROM THE SOVIET UNION, A GEOGRAPHICALLY CONVENIENT SOURCE. IN TRADE TALKS LAST AUGUST, AND AGAIN IN DECEMBER, THE TURKS ASKED THE USSR TO SELL THEM OIL, AND THE SOVIET UNION PUT THEM OFF. HOWEVER, ACCORDING TO HAZAR, THE USSR SAID IN AUGUST THAT IT MIGHT BE ABLE TO SUPPLY OIL TO TURKEY IN 1978. HAZAR CONFIRMED A REPORT APPEARING MARCH 1 IN MILLIYET, A PRO-GOVERNMENT NEWSPAPER, TO THE EFFECT THAT A SOVIET TRADE TEAM COMING TO ANKARA IN MID-MARCH WILL IDSCUSS SELLING OIL TO TURKEY ON CREDIT. HE SAID GOT WOULD SEEK TO BUY OIL ON BARTER BASIS. WHEN WE SUGGESTED THAT THE SOVIET UNION IS RUNNING SHORT OF OIL ITSELF, HAZAR ALLUDED TO A NEWSWEEK ARTICLE THAT REFUTES OUR SUGGESTION, BUT ALSO ADMITTED THAT, ACCORDING TO JALLOUD, THE SOVIETS ARE BUYING 6 MILLION TONS OF OIL ANNUALLY FROM LIBYA.

3. HAZAR TOLD US THAT THE GOT WOULD LIKE TO BUY 1 MILLION TONS OF OIL PER YEAR FROM IRAN. HE INDICATED THAT CONTACT

HAD BEEN MADE WITH THE IRANIS ON THE SUBJECT, BUT THAT, IN HIS OPINION, NEGOTIATIONS WILL FOUNDER, AS IN THE PAST, ON TERMS OF PAYMENT--GOT WANTS TO BUY ON CREDIT; THE SHAH HAS CONSISTENTLY DEMANDED CASH.

4. HAZAR WAS PRESENT AT RECENT TALKS BETWEEN JALLOUD AND TURKISH PRIMIN ECEVIT (REFTEL). HE SAID THAT THE TURKISH SIDE ASKED JALLOUD FOR 6 TO 7 MILLION TONS OF OIL PER YEAR IN ADDITION TO THE 3 MILLION TONS CUSTOMARILY SUPPLIED BY LIBYA. THE TURKS HOPED TO STRIKE A BARGAIN AT 3 MILLION ADDITIONAL TONS, BUT JALLOUD TOLD THEM THAT, IN THE FACE OF OTHER COMMITMENTS, LIBYA CANNOT INCREASE TURKEY'S ALLOCATION. JALLOUD DID AGREE TO DISCUSS EXTENDED PAYMENT TERMS FOR OIL PURCHASES, LONG-TERM CREDIT TO TURKEY AND
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 ANKARA 01657 01 OF 02 060815Z

PURCHASE BY LIBYA OF TURKISH AGRICULTURAL GOODS, EVEN IN EXCESS OF LIBYA'S OWN NEEDS. HAZAR SPECULATED THAT LIBYA MIGHT USE TURKISH WHEAT AS "FOREIGN AID". HAZAR EXPECTS PRIMIN ECEVIT TO PUSH THE TURKISH MFA HARD TO REACH AGREEMENT WITH THE LIBYANS AT TECHNICAL LEVEL NEGOTIATIONS LATER THIS MONTH. WHEN ASKED IF NEW ECONOMIC AGREEMENTS WOULD BE SIGNED WHEN, AS FORESEEN IN JALLOUD COMMUNIQUE, ECEVIT VISITS LIBYA, HAZAR SAID THAT HE EXPECTS THEM TO BE SIGNED SOONER THAN THAT.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 ANKARA 01657 02 OF 02 060851Z
ACTION EUR-12

INFO OCT-01 NEA-10 IO-13 ISO-00 CIAE-00 DODE-00
NSAE-00 NSCE-00 SSO-00 USIE-00 INRE-00 SOE-02
AID-05 CEA-01 COME-00 EB-08 DOE-11 H-01 INR-10
INT-05 L-03 OMB-01 PM-05 OES-07 SP-02 SS-15
STR-07 TRSE-00 ACDA-12 /131 W
-----123713 060859Z /16

O R 060540Z MAR 78
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC IMMEDIATE 0909
INFO AMCONSUL ADANA
AMEMBASSY ATHENS
AMEMBASSY BONN

AMEMBASSY BRUSSELS
AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMCONSUL ISTANBUL
AMCONSUL IZMIR
AMEMBASSY MOSCOW
AMEMBASSY NICOSIA
AMEMBASSY PARIS
AMEMBASSY TEHRAN
AMEMBASSY TRIPOLI
USINT BAGHDAD
USMISSION GENEVA
USMISSION USNATO
USCINCEUR
CINCUSAFE
USDOCOSOUTH NAPLES
USDOCOLANDSOUTHEAST IZMIR

C O N F I D E N T I A L SECTION 2 OF 2 ANKARA 1657

USEEC, USOECD

DAPARTMENT FOR COUNSELOR NIMETZ
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ANKARA 01657 02 OF 02 060851Z

USDOCOSOUTH FOR INTAF

5. HAZAR ADMITTED THAT NO PROGRESS HAS BEEN MADE ON A NEW AGREEMENT WITH IRAQ FOR EXTENDED OIL PAYMENTS, AND THAT OIL PAYMENT ARREARAGES TO IRAQ NOW EXCEED 300 MILLION DOLLARS. NEVERTHELESS, HE SAID THAT GOT IS NOT SEEKING NEW SOURCES OF OIL IN ORDER TO REPLACE THE SUPPLY FROM IRAQ: NEW SOURCES WILL BE NECESSARY TO MEET ESTIMATED 1978 OIL IMPORT NEEDS OF 17 MILLION TONS, UP FROM 15 MILLION TONS IN 1977.

6. COMMENT: THE ECEVIT GOVERNMENT IS SEEKING DEFERRED PAYMENT OIL PURCHASES TO GAIN FLEXIBILITY IN MANAGING ITS OVERALL DEBT PROBLEMS. TURKEY'S IMMEDIATE FINANCIAL PROBLEM IS \$2 - 3 BILLION DOLLARS IN SHORT-TERM DEBT DUE OR OVERDUE IN 1978. UNFORTUNATELY, THE COST OF OBTAINING DEFERRED PAYMENT TERMS ON OIL WILL BE INCREASED DEPENDENCE ON THE SOVIET UNION AND ITS CLIENTS, A MATTER OF GREAT IMPORTANCE TO TURKEY'S WESTERN ALLIES. AN AGREEMENT BETWEEN THE SOVIET UNION AND TURKEY FOR THE PURCHASE OF OIL MAY SEEM FARFETCHED IN SOME RESPECTS: WE KNOW THAT THE SOVIET UNION IS RUNNING SHORT OF OIL TO MEET EXISTING EXPORT COMMITMENTS; AND WE KNOW THAT TURKEY GENUINELY FEARS DOMINATION BY ITS NORTHERN NEIGHBOR. HOWEVER, WE MAY NOT KNOW, UNTIL AFTER THE FACT, TO WHAT EXTENT THE SOVIETS WILL SACRIFICE SCARCE OIL RESOURCES

TO MEET POLITICAL OBJECTIVES IN TURKEY.

7. ACTION SUGGESTED: USG MAY WISH TO SUGGEST TO GOVERNMENT OF IRAN THAT IT WOULD BE IN IRAN'S OWN INTEREST TO CONSIDER SUPPLYING OIL TO TURKEY ON DEFERRED-PAYMENT TERMS. THIS WOULD SERVE BOTH TO FORESTALL OR LIMIT THE GROWTH OF SOVIET INFLUENCE IN TURKEY, AND TO EASE TURKEY'S FINANCIAL CRISIS.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 ANKARA 01657 02 OF 02 060851Z

8. ABOVE MESSAGE HAD BEEN PREPARED FOR TRANSMISSION BEFORE REF B WAS RECEIVED. EMBASSY WISHES TO RAISE POSSIBILITY OF IRAN PROVIDING OIL TO TURKEY ON DEFERRED-PAYMENTS BASIS IN CONTEXT OF COUNSELOR NIMETZ' CONVERSATION WITH IRANIAN POLITICAL COUNSELOR ARDALAH AND OF DEPARTMENT'S REQUEST FOR COMMENTS, PARA 9, REF B.

SPIERS

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, GOVERNMENT PROCUREMENT, DEFERRED PAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 06 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978ANKARA01657
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780100-0486
Format: TEL
From: ANKARA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197803105/aaaadkpn.tel
Line Count: 246
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: ab3c7bb8-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 ANKARA 1570, 78 STATE 55739
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 17 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3112467
Secure: OPEN
Status: NATIVE
Subject: TURKEY SEEKS DEFERRED PAYMENT TERMS ON OIL
TAGS: EGEN, ENRG, EFIN, PFOR, TU, LY, UR, IZ
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/ab3c7bb8-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014